

THE COMMONWEALTH OF MASSACHUSETTS
OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION

**DEPARTMENT OF
TELECOMMUNICATIONS & ENERGY**

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August 23, 2001

Robert J. Keegan, Esq.
Robert N. Werlin, Esq.
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Keegan, Werlin & Pabian, LLP
21 Custom House Street
Boston, Massachusetts 02110

RE: Fifth Annual Rate Adjustment

Dear Mr. Keegan:

In Boston Gas Company, D.P.U. 96-50 (Phase I) (1996), the Department approved a five-year performance-based ratemaking ("PBR") plan for Boston Gas Company ("Boston Gas" or "Company"). In approving Boston Gas' PBR plan, the Department stated that "the initial annual adjustment of the Company's price cap mechanism will take effect on November 1, 1997, with successive annual adjustments through 2001." D.P.U. 96-50 (Phase I) at 320. Thus far, pursuant to D.P.U. 96-50 (Phase I) and Boston Gas Company, 96-50-C (1997), the Department has approved four annual rate adjustments with effective dates of November 1, 1997, November 1, 1998, November 1, 1999, November 1, 2000, respectively. See Boston Gas Company, D.T.E. 99-85 (1999); Boston Gas Company, D.T.E. 00-74 (2000). The Department directs the Company to file its fifth annual rate adjustment request, effective November 1, 2001, on or before September 15, 2001.

The Department notes that Boston Gas' existing PBR plan expires on

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November 1, 2001. D.P.U. 96-50 (Phase I) at 320; see Boston Gas Company, D.T.E. 96-50-D at 12. In approving the PBR plan in D.P.U. 96-50 (Phase I) at 320, the Department stated that:

the Company's proposed five-year term will provide a sufficient period to evaluate administrative efficiencies and to allow Boston Gas the level of certainty required to enter into business decisionmaking. Depending on the results of this evaluation, the plan may be extended without modification for an additional term, extended with modifications, or terminated.

Accordingly, the Department directs the Company to file by September 15, 2001 a proposal to succeed Boston Gas' current PBR plan. This proposal must include a service quality plan consistent with the guidelines established in Service Quality Standards for Electric Distribution Companies and Local Gas Distribution Companies, D.T.E. 99-84 (June 29, 2001).

By Order of the Department,

James Connelly, Chairman

W. Robert Keating, Commissioner

Paul B. Vasington, Commissioner

Eugene J. Sullivan, Jr., Commissioner

Deirdre K. Manning, Commissioner

cc: Service List

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